

degrees awarded in accounting-related studies.³⁰ In 2004, African Americans represented 1% of all CPAs, Hispanic/Latino, 3%, and Asian/Pacific Islander, 4%.³¹ African Americans accounted for 5.4% of new hires in 2007 in the largest six accounting firms, Hispanics, 4.6%, and Asians, 21.3%.³² In 2007, 1.0% of the partners in the six largest accounting firms were African American, 1.6% were Hispanic/Latino, 3.4% were Asian, and less than 1.0% were Native Hawaiian/Pacific Islander or American Indian/Alaska Native, aggregating less than 7% of the total partners.³³

The Committee recognizes that important groups within the minority population are significantly under-represented in the accounting and auditing profession, especially at senior levels, and this under-representation of minorities in the profession is unacceptable from both a societal and business perspective. As the demographics of the global economy continue to expand ethnic diversity, it is imperative that the profession also reflect these changes. The auditing profession's historic role in performing audits in an increasingly diverse global setting and in establishing investor trust cannot be maintained unless the profession itself is viewed as open and representative. To ensure the continued health and vibrancy of the profession, it is imperative that all participants in the financial, investor, educator, and auditor community adopt and implement policies, programs, practices, and curricula designed to attract and retain minorities. In order for minority participation in the accounting and auditing profession to grow and sustain itself, minority recruitment and retention needs to be a multi-faceted, multi-year effort, implemented and championed by community leaders, families, and most importantly business and academic leaders who educate, recruit, employ, and rely on accountants and auditors.

In this regard, the Committee recognizes the importance of setting goals and measuring progress against these goals and thus makes the following recommendations:

(a) Recruit minorities into the auditing profession from other disciplines and careers.

The Committee heard from witnesses that the auditing profession has "fallen short" on

its minority recruitment goals.³⁴

Accordingly, the Committee recommends that auditing firms actively market to and recruit from minority non-accounting graduate populations, both at the entry and experienced hire level, utilizing cooperative efforts by academics and firm-based training programs to assist in this process. Generally, auditing firms hire individuals for the audit practice who are qualified to sit for the Uniform CPA Examination.³⁵

Further, the Committee recommends that auditing firms expand their recruitment initiatives at historically black colleges and universities (HBCUs), and explore the use of proprietary schools as another way to recruit minorities into the profession. Currently over 100 educational institutions established before 1964 to serve the African American community are designated as HBCUs and over fifty of these HBCUs maintain accounting programs. Approximately 290,000 students are enrolled in HBCUs³⁶ and HBCUs enroll 14% of all African American students in higher education.³⁷ Twenty-seven HBCUs have one or more of the six largest accounting firms recruiting professional staff on their campus.³⁸ Both the number of these schools visited by the largest firms and the number of firms recruiting at these schools should increase. Proprietary schools are for-profit businesses that teach vocational or occupational skills and there are over 2,000 proprietary schools in the United States.³⁹ In 2005, these schools enrolled over 1 million students: African Americans accounted for 23% of these students, Hispanics, 13%, and Asian/Pacific Islander, 4%.⁴⁰

(b) Emphasize the role of community colleges in the recruitment of minorities into the auditing profession.

³⁴ See e.g., Record of Proceedings (Dec. 3, 2007) (Written Submission of Julie K. Wood, Chief People Officer, Crowe Chizek and Company LLC, 2), available at <http://www.treas.gov/offices/domestic-finance/acap/submissions/12032007/Wood120307.pdf> (admitting an auditing firm had not met its goals in minority recruitment).

³⁵ See Record of Proceedings (Dec. 3, 2007) (Questions for the Record of James S. Turley, Chairman and Chief Executive Officer, Ernst & Young LLP, 4 (Feb. 1, 2008)), available at <http://www.treas.gov/offices/domestic-finance/acap/QFRs-12-3-07.pdf> (noting that since 1997, Ernst & Young LLP has typically hired individuals qualified to sit for the Uniform CPA Examination).

³⁶ Stephen Provasnik and Linda L. Shafer, Historically Black Colleges and Universities, 1976 to 2001 2 (NCES 2004-062), available at <http://nces.ed.gov/pubs2004/2004062.pdf>.

³⁷ White House Initiative on Historically Black Colleges and Universities, available at <http://www.ed.gov/about/initiatives/list/whhbcu/edlite-index.html>.

³⁸ Center For Audit Quality, Supplement to Report of the Major Public Company Audit Firms to the Department of the Treasury Advisory Committee on the Auditing Profession 1 (Mar. 5, 2008).

³⁹ Thomas D. Snyder, Sally A. Dillow, and Charlene M. Hoffman, Digest of Education Statistics 2007 Table 5 (NCES 2008-022), available at <http://nces.ed.gov/pubs2008/2008022.pdf>.

⁴⁰ Thomas D. Snyder, Sally A. Dillow, and Charlene M. Hoffman, Digest of Education Statistics 2007 Table 220 (NCES 2008-022), available at <http://nces.ed.gov/pubs2008/2008022.pdf>.

Community colleges are a vital part of the postsecondary education system. They provide open access to post-secondary education, preparing students for transfer to four-year institutions, providing workforce development and skills training, and offering non-credit programs. Moreover, as the cost of higher education continues its upward climb, more and more high-achieving students are beginning their post-secondary study through the community college system.

As of January 2008, approximately 11.5 million students were enrolled in the 1,200 community colleges in the United States: African Americans accounted for 13% of these students, Hispanics, 15%, and Asian/Pacific Islander, 6%.⁴¹

In August 1992, the Accounting Education Change Commission (AECC), created in the late 1980s by the academic community to examine potential changes to accounting education, recognized the importance of two-year colleges in accounting education. The AECC noted that over half of all students taking their first course in accounting do so at two-year colleges and that approximately one-fourth of the students entering the accounting profession take their initial accounting coursework at two-year colleges. The AECC called for "greater recognition within the academic and professional communities of the efforts and importance of two-year accounting programs."⁴²

The Committee also heard from witnesses emphasizing the need to expand minority recruitment initiatives at community colleges.⁴³

The Committee believes that more attention to community colleges may provide, in addition to an increase in the overall supply of students, another avenue for minorities to become familiar with and attracted to the auditing profession. Currently none of the largest auditing firms recruit at community colleges because "individuals who only have associate degrees typically will not have sufficient qualifications to satisfy state licensing requirements."⁴⁴ The Committee recommends that accreditation of two-year college accounting programs at

⁴¹ American Association of Community Colleges, available at <http://www2.aacc.nche.edu/research/index.htm>.

⁴² Accounting Education Change Commission, Issues Statement Number 3: The Importance of Two-Year Colleges for Accounting Education (Aug. 1992) available at <http://aaahq.org/aec/PositionsandIssues/issues3.htm>.

⁴³ Record of Proceedings (Feb. 4, 2008) (Written Submission of Gilbert R. Vasquez, Managing Partner, Vasquez & Company LLP, 4), available at <http://www.treas.gov/offices/domestic-finance/acap/submissions/02042008/Vasquez02042008.pdf> (noting that auditing firms overlook community colleges where minorities, and specifically Latinos, represent a large student population); Record of Proceedings (Dec. 3, 2007) (Questions for the Record of George S. Willie, Managing Partner, Bert Smith & Co., 2 (Jan. 30, 2008)), available at <http://www.treas.gov/offices/domestic-finance/acap/QFRs-12-3-07.pdf> (recommending that the auditing profession increase its visibility at community colleges).

⁴⁴ Center For Audit Quality, Supplement to Report of the Major Public Company Audit Firms to the Department of the Treasury Advisory Committee on the Auditing Profession 1 (Mar. 5, 2008).

³⁰ Beatrice Sanders, and Leticia B. Romeo, The Supply of Accounting Graduates and the Demand for Public Accounting Recruits—2005: For Academic Year 2003–2004 10 (2005), available at http://ceae.aicpa.org/NR/rdonlyres/11715FC6-F0A7-4AD6-8D28-6285CBE77315/0/SupplyDemandReport_2005.pdf.

³¹ Beatrice Sanders, and Leticia B. Romeo, The Supply of Accounting Graduates and the Demand for Public Accounting Recruits—2005: For Academic Year 2003–2004 1 (2005), available at http://ceae.aicpa.org/NR/rdonlyres/11715FC6-F0A7-4AD6-8D28-6285CBE77315/0/SupplyDemandReport_2005.pdf.

³² Center For Audit Quality, Report of the Major Public Company Audit Firms to the Department of the Treasury Advisory Committee on the Auditing Profession 59 (Jan. 23, 2008).

³³ Center For Audit Quality, Report of the Major Public Company Audit Firms to the Department of the Treasury Advisory Committee on the Auditing Profession 60 (Jan. 23, 2008).